

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Peacock</b>	County <b>Lake</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>5/27/04</b>	Date Accountant Report Submitted to State: <b>August 3, 2004</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter and Bishop, P.C.</b>			
Street Address <b>134 West Harris Street</b>		City <b>Cadillac</b>	State <b>MI</b>
		ZIP <b>49601</b>	
Accountant Signature 		Date <b>8/2/04</b>	

**PEACOCK TOWNSHIP, LAKE COUNTY**

**IRONS, MICHIGAN**

**MARCH 31, 2004**



PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

MARCH 31, 2004

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M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
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JOHN H. BISHOP, C.P.A.  
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JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board  
Peacock Township  
Lake County  
Irons, Michigan

We have audited the accompanying general-purpose financial statements of Peacock Township, Lake County, Irons, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B, the Township's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of Peacock Township, Lake County, Irons, Michigan as of March 31, 2004, and the cash receipts it received and cash disbursements it paid for the year then ended on the basis of accounting described in Note I.B.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*



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PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
ALL FUND TYPES AND ACCOUNT GROUP

MARCH 31, 2004

		<u>GOVERNMENTAL FUND TYPES</u>	
		<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
<u>ASSETS</u>			
Cash			
Commercial Account		\$ 34,458	\$ 0
Certificates of Deposit		43,076	0
Taxes Receivable		5,769	3,199
Land & Land Improvements		0	0
Buildings		0	0
Furniture and Fixtures		0	0
TOTAL ASSETS		<u>\$ 83,303</u>	<u>\$ 3,199</u>
<u>LIABILITIES, BALANCE AND OTHER CREDITS</u>			
<u>LIABILITIES</u>			
Deferred Revenue		<u>\$5,769</u>	<u>\$3,199</u>
<u>BALANCE AND OTHER CREDITS</u>			
Investment in General Fixed Assets		\$ 0	\$ 0
Balance			
Unreserved		<u>77,534</u>	<u>0</u>
Total Balance and Other Credits		<u>\$ 77,534</u>	<u>\$ 0</u>
TOTAL LIABILITIES, BALANCE AND OTHER CREDITS		<u>\$ 83,303</u>	<u>\$ 3,199</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

FIDUCIARY FUND TYPE <u>AGENCY</u>	ACCOUNT GROUP <u>GENERAL FIXED ASSETS</u>	TOTALS (MEMORANDUM ONLY) <u>ONLY)</u>
\$ 54,009	\$ 0	\$ 88,467
0	0	43,076
0	0	8,968
0	5,000	5,000
0	30,000	30,000
0	11,427	11,427
<u>\$ 54,009</u>	<u>\$ 46,427</u>	<u>\$ 186,938</u>
<u>\$0</u>	<u>\$0</u>	<u>\$8,968</u>
\$ 0	\$ 46,427	\$ 46,427
54,009	0	131,543
<u>\$ 54,009</u>	<u>\$ 46,427</u>	<u>\$ 177,970</u>
<u>\$ 54,009</u>	<u>\$ 46,427</u>	<u>\$ 186,938</u>

The accompanying notes are an integral part of these financial statements.

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTALS</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>(MEMORANDUM ONLY)</u>
<u>RECEIPTS</u>			
Taxes	\$ 47,996	\$ 18,583	\$ 66,579
Licenses & Permits	390	0	390
State Grants	31,361	0	31,361
Charges for Services	20	0	20
Interest and Rents	943	0	943
Other Receipts	218	0	218
Total Receipts	<u>\$ 80,928</u>	<u>\$ 18,583</u>	<u>\$ 99,511</u>
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 7,285	\$ 0	\$ 7,285
General Government			
Supervisor	5,500	0	5,500
Elections	1,094	0	1,094
Assessor	17,402	0	17,402
Clerk	5,572	0	5,572
Board of Review	492	0	492
Treasurer	7,727	0	7,727
Building and Grounds	5,869	0	5,869
Cemetery	610	0	610
Public Safety	603	18,583	19,186
Public Works	8,718	0	8,718
Community & Economic Development	5,884	0	5,884
Other Functions	6,411	0	6,411
Total Disbursements	<u>\$ 73,167</u>	<u>\$ 18,583</u>	<u>\$ 91,750</u>
Excess of Receipts Over (Under) Disbursements	\$ 7,761	\$ 0	\$ 7,761
<u>BALANCE</u> - April 1, 2003	<u>69,773</u>	<u>0</u>	<u>69,773</u>
<u>BALANCE</u> - March 31, 2004	<u>\$ 77,534</u>	<u>\$ 0</u>	<u>\$ 77,534</u>

The accompanying notes are an integral part of these financial statements.

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PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 45,933	\$ 47,996	\$ 2,063
Licenses and Permits	425	390	(35)
State Grants	28,500	31,361	2,861
Charges for Services	0	20	20
Interest and Rents	1,000	943	(57)
Other Receipts	100	218	118
Total Receipts	\$ 75,958	\$ 80,928	\$ 4,970
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 15,625	\$ 7,285	\$ 8,340
General Government			
Supervisor	5,550	5,500	50
Elections	1,170	1,094	76
Assessor	17,500	17,402	98
Clerk	5,800	5,572	228
Board of Review	670	492	178
Treasurer	5,850	7,727	(1,877)
Building and Grounds	7,900	5,869	2,031
Cemetery	800	610	190
Public Safety	600	603	(3)
Public Works	11,000	8,718	2,282
Community & Economic Development	6,460	5,884	576
Other Functions	2,100	6,411	(4,311)
Contingency	500	0	500
Total Disbursements	\$ 81,525	\$ 73,167	\$ 8,358
Excess of Receipts Over (Under) Disbursements	\$ (5,567)	\$ 7,761	\$ 13,328
<u>BALANCE - April 1, 2003</u>	48,375	69,773	21,398
<u>BALANCE - March 31, 2004</u>	\$ 42,808	\$ 77,534	\$ 34,726

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

SPECIAL REVENUE FUND			
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	
\$ 18,583	\$ 18,583	\$ 0	
0	0	0	
0	0	0	
0	0	0	
0	0	0	
0	0	0	
\$ 18,583	\$ 18,583	\$ 0	
\$ 0	\$ 0	\$ 0	
0	0	0	
0	0	0	
0	0	0	
0	0	0	
0	0	0	
0	0	0	
0	0	0	
0	0	0	
18,583	18,583	0	
0	0	0	
0	0	0	
0	0	0	
0	0	0	
\$ 18,583	\$ 18,583	\$ 0	
\$ 0	\$ 0	\$ 0	
0	0	0	
\$ 0	\$ 0	\$ 0	

The accompanying notes are an integral part of these financial statements.

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Reporting Entity**

Peacock Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has no long-term debts which would be recorded in the general long-term debt account group.

The Township has the following fund types and account group:

Governmental funds are used to account for the Township's general government activities. The Township uses the flow of economic resources measurement focus and the modified cash basis of accounting for this fund which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed.

Governmental funds include the following fund types:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, or major capital projects) that are legally restricted to expenditures for specified purposes.

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of accounting. This fund is used to account for property tax collections which the Township makes and distributes for others in an agency capacity.

Account Group. The General Fixed Asset Account Group is used to account for fixed assets of the Township.

**C. Assets, Liabilities and Equity**

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the Township is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. **Commercial Paper** with a rating of not less than A1 from Moody's and P1 from Standard & Poor's.
- b. **Mutual Funds** which are limited to securities whose intention is to maintain a net asset value of \$1.00 per share. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- c. **Savings Deposit Receipt** which is paid at a stated rate.
- d. **Savings Account** interest is paid in accordance with the policy of the financial institution.
- e. **Certificate of Deposit – CD** – for a specified period for a specified rate.
- f. **U.S. Treasury Bills**
- g. **U.S. Treasury Notes**
- h. **U.S. Treasury Bonds**
- i. **Investment Pools** organized under the authority of the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7 (MCL 124.501 to MCL 124.512), the Surplus Funds Investment Pool Act, 1982 PA 367 (129.111 to 129.118) and the local government investment pool act, 1985 PA 121, (MCL 129.141 to 129.150). Those pools managed by contractual agreement contained in the interlocal agreement, banks and the Township Treasurer, respectively. All the pools are limited to investments described in section 1 (1)(a) through (g).



PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

2. Receivables and Payables

Under the modified cash basis of accounting, the only noncash asset recorded is a receivable for uncollected property taxes. This receivable is entirely offset by a deferred revenue liability account so that income is only recognized when cash is received.

3. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

4. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

5. Use of Estimates

This presentation of financial statements requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

6. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary Information**

The annual budgets are adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 26, 2003, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

**A. Deposits and Investments**

At year-end, the carrying amount of the Township's deposits was \$131,543, and the bank balance was \$137,569, all of which was covered by federal depository insurance.

The carrying amount of the Township's deposits and investments at year-end are shown below:

	GENERAL FUND	CURRENT TAX COLLECTION FUND	TOTAL
Lake Osceola State Bank Baldwin, Michigan			
Commercial Account	\$ 0	\$ 54,009	\$ 54,009
Money Market Accounts	34,458	0	34,458
Huntington National Bank Reed City, Michigan			
Certificates of Deposit	20,000	0	20,000
Standard Federal Troy, Michigan			
Certificates of Deposit	23,076	0	23,076
<b>TOTAL</b>	<b>\$ 77,534</b>	<b>\$ 54,009</b>	<b>\$ 131,543</b>

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**B. Fixed Assets**

Activity in the general fixed assets account group for the Township for the year ended March 31, 2004, was as follows:

	BALANCE				BALANCE
	4/1/03		ADDITIONS	DELETIONS	3/31/04
<u>GENERAL FIXED ASSETS</u>					
Land and Land Improvements	\$ 5,000	\$	0	\$ 0	\$ 5,000
Buildings	30,000		0	0	30,000
Furniture and Fixtures	11,427		0	0	11,427
TOTAL	\$ 46,427	\$	0	\$ 0	\$ 46,427

**IV. OTHER INFORMATION**

**A. Property Taxes**

The Township levied 1.7601 mills for general operating purposes on a taxable value of \$20,880,528. In addition, the Township levied .9759 mills for fire protection.

Properties are assessed January 1, and the related property taxes become a lien on December 1 of the same year. Taxes are due and payable to the township treasurer on or before February 28. After February 28, the property taxes are payable to the Lake County Treasurer. Property taxes levied December 1 which are collected prior to the end of the fiscal year are recognized as income in the year in which they are levied. The Township's portion of delinquent property taxes receivable is recognized as an asset. The taxes receivable are also recorded as deferred revenue and the tax collections are recorded as cash receipts when collected.

**B. Interest Income and Expense**

For the year ended March 31, 2004, interest income and expense is summarized as follows:

	INTEREST	
	INCOME	EXPENSE
General Fund	\$ 943	\$ 0

Note - Interest income earned in the Current Tax Collection Fund is periodically transferred to the General Fund and is shown as General Fund interest income.

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**C. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or prior three years.

The Township continues to carry insurance for other risks of loss, including worker's compensation insurance and fidelity bonds.

**D. Current Tax Collection Fund Balance**

The balance of \$54,009 remaining in the Current Tax Collection fund at March 31, 2004, consisted of amounts that were transferred to the General Fund and Fire Fund on May 24, 2004 as follows:

General Fund		
Current Tax	\$ 30,967	
Property Tax Administration Fee	5,941	
Late Payment Penalties	76	
	<hr/>	
	\$ 36,984	
Less: Bank Charges	(145)	36,839
	<hr/>	
Fire Fund		
Current Tax		17,170
		<hr/>
		\$ 54,009
		<hr/>

**E. Property Tax Administration Fee**

The Township passed a resolution to charge a 1% administration fee on all advalorem, taxes levied. Also, a late penalty fee of 3% shall be added after February 14<sup>th</sup> and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the township board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

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PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GENERAL FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash	
Commercial Account	\$ 34,458
Certificates of Deposit	43,076
Taxes Receivable	<u>5,769</u>
 TOTAL ASSETS	 \$ <u><u>83,303</u></u>

LIABILITIES AND BALANCE

LIABILITIES

Deferred Revenue	\$ 5,769
------------------	----------

BALANCE

Unreserved	<u>77,534</u>
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TOTAL LIABILITIES AND BALANCE	\$ <u><u>83,303</u></u>
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PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GENERAL FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 45,933	\$ 47,996	\$ 2,063
Licenses and Permits	425	390	(35)
State Grants	28,500	31,361	2,861
Charges for Services	0	20	20
Interest and Rents	1,000	943	(57)
Other Receipts	100	218	118
Total Receipts	\$ 75,958	\$ 80,928	\$ 4,970
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 15,625	\$ 7,285	\$ 8,340
General Government			
Supervisor	5,550	5,500	50
Elections	1,170	1,094	76
Assessor	17,500	17,402	98
Clerk	5,800	5,572	228
Board of Review	670	492	178
Treasurer	5,850	7,727	(1,877)
Building and Grounds	7,900	5,869	2,031
Cemetery	800	610	190
Public Safety	600	603	(3)
Public Works	11,000	8,718	2,282
Community & Economic Development	6,460	5,884	576
Other Functions	2,100	6,411	(4,311)
Contingencies	500	0	500
Total Disbursements	\$ 81,525	\$ 73,167	\$ 8,358

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GENERAL FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Excess of Receipts Over (Under) Disbursements	\$ (5,567)	\$ 7,761	\$ 13,328
<u>BALANCE</u> - April 1, 2003	<u>48,375</u>	<u>69,773</u>	<u>21,398</u>
<u>BALANCE</u> - March 31, 2004	<u>\$ 42,808</u>	<u>\$ 77,534</u>	<u>\$ 34,726</u>



PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH RECEIPTS

FOR THE YEAR ENDED MARCH 31, 2004

TAXES

Current Property Taxes - 2002 Tax Roll	\$ 29,743	
Delinquent Property Tax and Interest	4,928	
Commercial Forest Reserve	3,294	
Payment in Lieu of Taxes - National Forest	1,690	
Late Fees & Penalties	578	
Property Tax Administration Fee	<u>7,763</u>	
Total Taxes		\$ 47,996

LICENSES & PERMITS

Land Use Permits		390
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STATE GRANTS

State Revenue Sharing		
Sales & Use Tax	\$ 30,772	
Liquor Licenses	<u>589</u>	
Total State Grants		31,361

CHARGES FOR SERVICES

Copies		20
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INTEREST AND RENTS

Interest Earnings		943
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OTHER RECEIPTS

Royalties	\$ 43	
Miscellaneous	<u>175</u>	
Total Other Receipts		<u>218</u>
TOTAL RECEIPTS		<u>\$ 80,928</u>

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE

Township Board		
Personal Services		
Salaries and Wages	\$	1,495
Supplies		
Office Supplies		685
Postage		670
Operating Supplies		131
Other Services and Charges		
Travel		117
Dues and Fees		668
Legal Fees		720
Printing and Publishing		582
Miscellaneous		2,217
		<hr/>
Total Legislative		\$ 7,285

GENERAL GOVERNMENT

Supervisor		
Personal Services		
Salaries and Wages	\$	5,500
Elections		
Personal Services		
Salaries and Wages	\$	101
Supplies		
Office Supplies		45
Postage		96
Other Services and Charges		
Contracted Services		670
Travel		62
Education/Training		26
Miscellaneous		94
		<hr/>
Total Elections		1,094

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

Assessor

Supplies

Postage \$ 402

Other Services and Charges

Contracted Services 17,000

Total Assessor 17,402

Clerk

Personal Services

Salaries and Wages \$ 5,500

Supplies

Postage 10

Other Services and Charges

Transportation 62

Total Clerk 5,572

Board of Review

Personal Services

Salaries and Wages \$ 416

Other Services and Charges

Travel 38

Printing and Publishing 38

Total Board of Review 492

Treasurer

Personal Services

Salaries and Wages \$ 5,500

Supplies

Office Supplies 286

Other Services and Charges

Contracted Services 1,923

Travel 18

Total Treasurer 7,727

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

Building and Grounds

Supplies

Operating Supplies \$ 235

Other Services and Charges

Communications 384

Repairs 1,861

Public Utilities 3,264

Miscellaneous 125

Total Building and Grounds 5,869

Cemetery

Other Services and Charges

Repairs 610

Total General Government 44,266

PUBLIC SAFETY

Constable

Personal Services

Salaries and Wages \$ 600

Other Services and Charges

Transportation 3

Total Public Safety 603

PUBLIC WORKS

Highways, Streets and Bridges

Other Services and Charges

Repairs and Maintenance \$ 3,510

Street Lighting

Other Services and Charges

Public Utilities 595

Refuse Collection

Other Services and Charges

Contracted Services 4,613

Total Public Works 8,718

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

COMMUNITY AND ECONOMIC DEVELOPMENT

Planning Commission		
Personal Services		
Salaries and Wages	\$	840
Enforcement Officer		
Personal Services		
Salaries and Wages		4,500
Other Services and Charges		
Inspecting Fees		138
Transportation		406
		<hr/>
Total Community & Economic Development		5,884

OTHER FUNCTIONS

Insurance and Bonds	\$	3,721	
Penalties/Interest		7	
Employee Benefits			
Social Security and Medicare	\$	1,922	
Workers' Compensation		761	
		<hr/>	
Total Employee Benefits		2,683	
		<hr/>	
Total Other Functions			6,411
			<hr/>
TOTAL DISBURSEMENTS			\$ 73,167
			<hr/>

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

FIRE FUND  
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Taxes Receivable	\$ 3,199
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LIABILITIES AND BALANCE

LIABILITIES

Deferred Revenue	\$ 3,199
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<u>BALANCE</u>	<u>0</u>
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TOTAL LIABILITIES AND BALANCE	<u>\$ 3,199</u>
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PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

FIRE FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes			
Current Taxes - 2002 Tax Roll	\$ 15,942	\$ 15,942	\$ 0
Delinquent Taxes	2,641	2,641	0
Total Receipts	\$ 18,583	\$ 18,583	\$ 0
<u>DISBURSEMENTS</u>			
Public Safety			
Aid to Other Governments			
Village of Baldwin	18,583	18,583	0
Excess of Receipts Over (Under) Disbursements	\$ 0	\$ 0	\$ 0
<u>BALANCE</u> - April 1, 2003	0	0	0
<u>BALANCE</u> - March 31, 2004	\$ 0	\$ 0	\$ 0

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

CURRENT TAX COLLECTION FUND  
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash	
Commercial Account	\$ 54,009

BALANCE

Balance	\$ 54,009
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PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Current Tax Collections	\$ 594,041	
Overcollections from Taxpayers	32	
Property Tax Administration Fees	5,941	
Penalties and Interest	273	
	<hr/>	
Total Receipts		\$ 600,287

DISBURSEMENTS

Payments to County Treasurer		
Current Tax	\$ 200,129	
Payments to Township Treasurer		
Current Tax - 2002 Tax Roll		
Operating	\$ 29,743	
Fire	15,942	
Property Tax Administration Fee	6,659	
Penalty and Interest on Delinquent Tax	565	
Interest Earnings	78	52,987
	<hr/>	
Payments to School Treasurer		
Current Tax		
Baldwin Community Schools	\$ 281,738	
Intermediate School		
Mason - Lake Intermediate	64,037	345,775
	<hr/>	
Bank Charges		346
Refund to Taxpayers for Overcollections		29
		<hr/>
Total Disbursements		<hr/> 599,266
Excess of Receipts Over (Under) Disbursements		\$ 1,021

<u>BALANCE</u> - April 1, 2003	<hr/> 52,988
<u>BALANCE</u> - March 31, 2004	<hr/> <hr/> \$ 54,009

PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GENERAL FIXED ASSETS GROUP OF ACCOUNTS  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

FOR THE YEAR ENDED MARCH 31, 2004

	BALANCE 4/1/2003	ADDITIONS	DELETIONS	BALANCE 3/31/2004
<u>GENERAL FIXED ASSETS</u>				
Land and Land Improvements	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Buildings	30,000	0	0	30,000
Furniture and Fixtures	11,427	0	0	11,427
	<u>\$ 46,427</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,427</u>
<u>INVESTMENT IN GENERAL FIXED ASSETS</u>	<u>\$ 46,427</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,427</u>

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PEACOCK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

STATEMENT OF 2003 TAX ROLL  
MARCH 31, 2004

TAXES ASSESSED

County	\$	237,415	
Township			
Operating		36,736	
Fire		20,369	
School			
Baldwin Community Schools		329,815	
Intermediate School			
Mason - Lake Intermediate		<u>75,968</u>	\$ 700,303

TAXES COLLECTED

County	\$	200,129	
Township			
Operating		30,967	
Fire		17,170	
School			
Baldwin Community Schools		281,738	
Intermediate School			
Mason - Lake Intermediate		<u>64,037</u>	<u>594,041</u>

TAXES RETURNED DELINQUENT

County	\$	37,286	
Township			
Operating		5,769	
Fire		3,199	
School			
Baldwin Community Schools		48,077	
Intermediate School			
Mason - Lake Intermediate		<u>11,931</u>	<u>\$ 106,262</u>

# *Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

May 27, 2004

## LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Peacock Township  
Lake County  
Irons, Michigan

During the course of our audit of the general-purpose financial statements of Peacock Township for the year ended March 31, 2004, we noted the following items:

### GASB 34

The Government Accounting Standards Board has issued a new pronouncement that will dramatically change the way governmental entities report their financial information. For Peacock Township, GASB 34 will become effective for the year ending March 31, 2005.

Some of the changes required by GASB 34 are as follows:

Management's discussion and analysis will be the first thing in a financial report. This will be the administration's narrative overview of the information contained in the financial statements.

The budgetary comparison information must report the original adopted budget and the final amended budget.

Capital assets and long-term liabilities will be required to be reported in the balance sheet. The depreciation on the capital assets will then be reported as an expense in the statement of revenues and expenses. With this change, the financial statements of a government entity will look similar to a for-profit business financial statements.

We are available to advise you and offer assistance on how to proceed with steps needed to meet GASB 34 requirements.

## Budget

The cash disbursements for several activities in the General Fund exceeded the budget. In the future, the budget should be amended before disbursements are made which exceed budgeted amounts. All budget amendments should be a resolution of the board and recorded in the minutes.

## Property Tax Administration Fee

As reported in Note IV.E of the Notes to Financial Statements, the township is charging a 1% property tax administration fee. The township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

## Payroll

When reconciling the payroll amounts and payroll tax returns we noted that the February 2004 payroll amounts had been entered in the general ledger at net pay instead of gross pay. We have completed a corrected quarterly payroll tax return to correct this error.

## Tax Collection Fund Balance

As of March 31, 2004, a balance consisting of current tax collections, property tax administration fees and late payment penalties remained in the Current Tax Collection Fund. To be in compliance with Michigan Committee on Governmental Accounting and Auditing Statement No. 3, we recommend that the Township consider transferring any balance remaining in the Current Tax Collection Fund to the General Fund prior to the end of the fiscal year.

## Reportable Condition in Internal Controls

In planning and performing our audit of the general-purpose financial statements of Peacock Township for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We have included a separate letter (letter of reportable conditions) which addresses those items noted.

We would like to thank the board for awarding our firm the audit assignment of the Township and thank the Township Clerk and Treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Peacock Township  
Lake County  
Irons, Michigan

In planning and performing our audit of the general-purpose financial statements of Peacock Township, Lake County, Irons, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Very truly yours,

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*



